



Warning! 2 Stocks With Bearish Investor Sentiment

Description

How does one evaluate investor sentiment? One of the most popular ways is to analyze a company's short position. Bearish investors tend to short a stock when they believe the stock is overvalued or is poised for a downturn.

What does it mean to go short? Short sellers borrow shares to sell in the hopes of buying the shares back at a cheaper price. It's a bet against the company.

Twice a month, the TSX releases short reports. What indicates increasing bearish sentiment? Two of my favourite indicators are the increase in percentage of shares on loan and the cost to borrow shares.

Increase in percentage of shares on loan

One of the companies with the biggest increase in the percentage of shares on loan is **Maxar Technologies Ltd.** ([TSX:MAXR](#))([NYSE:MAXR](#)). Month over month, the company saw a 56% increase. As of July 10, 21% of the company's float is now short.

Thanks to the significant increase, it is now tied as the second-highest shorted position on the TSX in terms of percentage of shares on loan. Why the jump?

Maxar is the product of a recent amalgamation between two companies and has significant debt. This is the main issue. There are real concerns about the company's ability to manage its debt load.

Maxar's interest coverage ratio is only 1.68, which is not a strong indicator. This ratio is used to determine if the company can pay the interest expenses on outstanding debt.

A company is considered to be on strong financial footing if earnings before interest, taxes, depreciation, and amortization (EBITDA) is three times greater than its interest expense. Alternatively, a coverage ratio below 1.5 can indicate the company is in financial distress.

Since amalgamating, Maxar has lost almost 14% of its value.

High cost to borrow

When a stock has a high cost to borrow, it indicates that there is a high demand to short the company and bearish investors have bid up the borrowing costs.

The most expensive shares to short list is dominated by companies with small market capitalizations. There is one, however, that sticks out above all else: **Brookfield Property Partners L.P.** ([TSX:BPY.UN](#))(NASDAQ:BPY).

Brookfield Property Partners is by far the largest and most prominent company in the top 10 with a market cap of \$17 billion. The past month, Brookfield has been on a downward trend, losing just over 5% of its value.

Once again, Brookfield's current short sentiment is a result of its high debt load. Its current debt to EBITDA is very high at 14.3 times. Complicating matters, the company is in the midst of acquiring **General Growth Properties**.

General consensus is that the company will have to sell some assets to reduce post-merger debt. Until then, the company will likely remain under pressure.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:MAXR (Maxar Technologies)
2. TSX:BPY.UN (Brookfield Property Partners)

PARTNER-FEEDS

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Date

2025/08/25

Date Created

2018/07/16

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